

Audit Profile																	
Country		Honduras															
Factory name		070329332E															
IEM		ALGI															
Date(s) in facility		July 12-14, 2006															
PC(s)		Nike, Inc., Reebok, Under Armour															
Number of workers		1820															
Product(s)		Sportswear															
Production processes		Cutting, Sewing, Assembly, Printing, Packing, Warehouse															
IEM Findings										Remediation							[Status]
FLA Code/Compliance issue	Country Law/Legal Reference	FLA Benchmark	Noncompliance	Risk of Noncompliance	Evidence of Noncompliance (Uncorroborated)	If Not Corroborated, Explain Why	Sources/Documentation Used for Corroborating	Notable Features Implemented by Factory Management or Company	PC Internal Audit Findings (Optional)	PC Remediation Plan	Target Completion Date	Factory Response (Optional)	Company Follow Up (August 23, 2007)	Documentation	Completed, Pending, Ongoing		
1. Code Awareness																	
Confidential Noncompliance Reporting Channel		FLA Principle of Monitoring, Obligation of Companies: Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.	Monitor did not observe a hotline in workplace or any other type of mechanism implemented by the Participating Companies (PCs) (Nike, Reebok, Under Armour). There were no visual confirmations of a confidential noncompliance reporting mechanism structured by the PCs. Per management, whenever there is a visit by the PCs, auditors leave a business card with the phone number to be contacted in case of need. Only employees with business cards				Management and employee interviews. Walkthrough of the facility.			PCs ask workers to contact them at their will should they feel compelled to do so. Though it is true that during visits and audits, PCs' staff hand out business cards with contact information (name, telephone, e-mail address) to as many workers as they engage, it is also true that workers are encouraged to share this information with fellow workers. This information is also available to workers through key contacts from the manings' ment team and/or Worker Organization. Also, Reebok's Code of Conduct includes a sticker with the regional employee contact information	Ongoing		During the last visit, Nike auditor interviewed a few employees and provided them with business cards. addidas Group has also sent "open letter to workers" to all its suppliers. Suppliers are then required to post "open letter to workers," which contains a summary of addidas Group labor and HSE requirements to factory management, as well as contact information of addidas' compliance team. Management has been required to post "open letter to workers" in areas accessible to workers for their review	Verification: Auditor leaves his business card	Completed		
Other								[Factory] organized daily radio talk from 7-9AM. This allows employees to be informed of company policies and special events. It is also used for bringing up issues and topics that employees are interested in presenting to management.									
2. Forced Labor																	
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.																	
3. Child Labor																	
No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.																	
Age Documentation		Employers will maintain proof of age documentation for all workers, such as a birth certificate, which verifies date of birth.	Although facility has policies and designated person to oversee subcontractors, it has not implemented an effective mechanism to ensure compliance with code. (Auditor identified that at least 1 cafeteria employee regularly works approximately 75 hours per week. This same employee, who is 19 years old, has been working in this factory for 3 years, meaning that when he was hired he was a juvenile worker, restricted to a limited				Review of commercial contract between [Factory name] and subcontractor. Employee interview.			Factory has to establish new control in order to prevent subcontractor from hiring underage employees.	11/24/06		Factory is reviewing the age of the subcontractors in order to prevent a third party from hiring an underage employee.	Verification: Observation	Completed		
4. Harassment or Abuse																	
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse.																	
Record Maintenance		Employers will maintain written records of disciplinary actions taken.	Although 95% of personnel files kept with all the pertinent documents and forms, 2 folders reviewed observed missing disciplinary allegations.				2 personnel folders reviewed found missing allegations made against employee and evaluation for dismissal.			Factory must keep evidence of all evaluations, allegations, or any information that could result in a personnel dismissal. In order to comply with this, we recommend: 1) Factory to immediately review its disciplinary policy, procedures and implementation to find and fix gaps that caused the lack of documenting alleged verbal warnings; 2) factory to assign someone accountable for each step in the process and define how disciplinary policies, procedures and practices are to be analyzed to identify if they are applied consistently, and getting desired behaviors and needed documentation.	12/15/06		Factory already has a procedure in order to keep evidence of information when an employee is dismissed. They have a format for exit interview when an employee decides to leave factory. Exit interview is conducted by HR Manager, who reviews every dismissal case.	Progress: Observation and documentation	Completed		
5. Nondiscrimination																	
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.																	
6. Health and Safety																	
Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.																	
Evacuation Procedure	Part V, Chapter 1: Occupational Health and Safety	All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, unblocked aisles/exits, employee education, evacuation procedures, etc.) shall be complied with and workers shall be trained in proper safety, first aid, and evacuation procedures.	Embroidery department has 1 designated exit. There is a secondary door in the same room, but it is not designated or used as a secondary means of egress.				Facility walkthrough			Factory to immediately make appropriate changes in the secondary door of embroidery department as emergency exit. Documentation to be submitted: Pictures of emergency exit.	12/15/06		Factory made a secondary door in the embroidery department.	Verification: Observation and photos	Completed		
PPE	Part V, Chapter 1: Occupational Health and Safety	Workers shall wear appropriate protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to hazardous elements including medical waste.	In embroidery department, there is a spray machine that utilizes AKA (toxic material) for stain removing activities. Said activity takes place within work area with no MSDS displayed and no PPE available for workers.				Facility walkthrough			Where chemicals used, it is necessary to have MSDS posted and to provide employees the necessary PPE. Also, we recommend that management must provide training, which is to include appropriate use of PPE based on MSDS indications.	11/24/06		Factory has provided training to employees and supervisors in order to prevent employee from working without PPE according to MSDS. MSDS for spot cleaning posted and supervisor has task of ensuring all employees in this area wear their PPE.	Verification: Observation	Completed		
Ventilation/Electrical/Facility Maintenance	Part V, Chapter 1: Occupational Health and Safety	All ventilation, plumbing, electrical, and lighting services shall be provided and maintained to conform to applicable laws and prevent hazardous conditions to employees in the facility.	In embroidery department, there is a section that uses a spray machine that utilizes AKA (toxic material) for stain removing activities. Said activity takes place within work areas with zero ventilation or exhaust system. Exposure of fumes while in use creates a health hazard to employees in the area.				Facility walkthrough			Factory management to: 1) Install mechanical air exhaust system that would prevent or reduce worker exposure to chemical fumes or 2) Reconsider relocation of spot cleaning station where workers will not be exposed to these chemicals. Please advise of your plan as soon as possible and provide with supportive documentation.	11/24/06		Spot cleaning area was removed from embroidery department and sent back to spot cleaning area, where all spot cleaning has to be done.	Verification: Observation	Completed		
Machinery Maintenance	Part V, Chapter 1: Occupational Health and Safety	All production machinery and equipment shall be maintained, properly guarded, and operated in a safe manner.	5 sewing machines observed missing bottom pulley guard.				Facility walkthrough			Factory management to create policies and procedures that would require all machines be fitted with all safety devices including bottom pulley guards in sewing machines. Factory to implement a plan which outlines: a) what safety devices and PPE needed (based on type of machine used; b) routine inspections and maintenance of safety devices on all machines; c) worker training plan that includes identification of safety devices and procedures to communicate when these are no longer functional;	12/15/06		Factory fixed sewing machines. Also, factory made all employees verify and sign letter mentioning that machines are in good shape and have all safety measures. Factory has established a maintenance program in order to keep machines in good shape. Also, they had started a campaign with employees conveying importance of keeping machines in good shape.	Verification: Observation and documentation	Completed		
Sanitation in Dining Area	Part V, Chapter 1: Occupational Health and Safety	All food preparation shall be prepared, stored, and served in a sanitary manner in accordance with applicable laws. Safe drinking water should be available in each building.	Although visit to cafeteria and kitchen area did not reflect an unsanitary condition, drain cover was accidentally left open, allowing the presence of at least 1 cockroach in food preparation area.				Unannounced cafeteria and kitchen visit			Management to implement a fumigation plan to prevent insect infestations, especially in dining and kitchen areas.	12/15/06		Factory has fumigated kitchen and dining areas.	Verification: Observation and documentation	Completed		
7. Freedom of Association and Collective Bargaining																	
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.																	

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Employer Interference in Registration		The employer will not interfere, to the detriment of worker's organizations, with government registration requirements regarding the formation of workers' organizations.	Line supervisor and employees created and distributed a sheet to acquire signatures for the desire not to form a union.				Union delegates and non-union employees interviews confirmed there was form passed down on April 2006 to express workers' dissatisfaction with union. Management also confirms existence of this form, but mentioned that form and activity initiated by workers without interference or instruction from management. Union delegates felt this activity was initiated within work lines and by supervisors, but not manipulated by senior supervisors or managers.			Management to continue communicating its freedom of association (FOA) policy so worker awareness is increased. Policy to be enhanced by a) defining purpose of and channels for 2-way communication between workers and management on welfare and production issues; b) defining purpose and obligations for non-retaliation to protect employees against negative consequences for open communication; c) defining conditions under which employees are able to select representatives and/or participate in factory problem-solving mechanisms; d) assigning someone responsible for policy/procedures implementation; and e) creating an employee training plan. Documentation to be submitted: Enhanced policies and procedures on FOA and worker representation including employee See above	10/20/06		Factory in negotiation with new union on collective bargaining agreement (CBA). Factory expects they will finish negotiation of CBA with union in 4 or 5 months. They have made good progress and have already covered 50% of demands of CBA. Also, factory has included in induction, a format that is provided to new hires with rules of factory and a mention that factory has an union. Also, factory had made communication campaigns with their radio show about union and the free will of joining or not.	Verification: Observation and documentation	Ongoing
Unfair Dismissal		The employer will not dismiss, discipline, or otherwise coerce or threaten workers seeking to form, join or participate in workers' organizations.	Line supervisor may have recommended the lay off of an employee for union participation.				Union delegate allegations and personnel file review. Monitor reviewed [Employee name's] personnel files indicating they were no longer an active employee and had been laid off in June 2006. Per HR Manager, was a downsize in printing department and worker was only employee laid off from printing department. [Employee name's] personnel files did not contain written reason for lay off, other than a letter indicating mutual agreement. [Employee name's] personnel files also did not register any disciplinary measures against them. Per HR Manager, recommendation came from Floor Supervisor, but no written evidence of this recommendation or evaluation placed in [Employee name's] files. Per HR				12/15/06				
Union Harassment		The employer will not dismiss, discipline, or otherwise coerce or threaten workers because of their exercise of the right to freedom of association. When union officers are dismissed, demoted or otherwise suffer a loss of rights at work, a monitor should look with special attention at the possibility of anti-union discrimination.	Line supervisor [Employee name] accused of harassment against union delegates.				Interviews of union delegates and some union affiliates raised complaints for constant harassment allegedly made by most line/module supervisors. Non-union employees did not raise any issues related to anti-union behavior by supervisors. Auditor reviewed [Employee name's] personnel file. File contained letter of resignation dated July 3, 2006. [Employee name] did not have any type of disciplinary action, even though HR Manager acknowledged having received complaints against him.			See above	12/15/06				
Other			Monitor reviewed companies policies posted on bulletin boards and manuals provided to workers and found that topic of FOA is not mentioned or displayed. Specific training on FOA to line supervisors has not been implemented.				Interviewees claim that although there is a good relationship with upper management, there is a need to have policies related to freedom of association clearly defined and to provide training to all line supervisors.			See above	10/20/06		Factory communicates to its entire workforce its FOA policy, which indicates that workers are free to choose to join a union or not.		
<b>8. Wages and Benefits</b>															
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits.															
Payment of Legal Benefits	Art 339 (Holidays): Holidays must be compensated computing the average of regular plus overtime earned during the immediate preceding week. Art. 340: If a holiday is worked, the payment must be at 200% over the regular rate and must receive an additional day off.	Legally mandated benefits will be provided or paid in full within legally defined time periods.	Holiday pay required to be calculated as average (regular + OT) from preceding week. [Factory] calculated October 2005 holiday from a non-corresponding week. Average calculated was lower than corresponding week, resulting in a lower payment for a number of employees.				Employer interview and analysis of October 2005 payroll			Holiday must be calculated as law establishes, obtaining average from preceding week.	12/15/06		Factory made necessary changes in order to pay the overtime according to labor law of Honduras.	Verification: Observation. Factory to send payroll documentation to Participating Companies to verify change.	Ongoing
Legal Compliance for Holiday/Leave	Art. 346 (Vacation): Periods of vacation entitlement: after 1 year of service 10 days, after 2 years of service 12 days, after 3 years of service 15 days, after 4 years of service 20 continuous labor days. Art. 348: It is forbidden to compensate vacation with monetary payments, special circumstances may be	Workers will be paid for holidays and leave as required by law.	Although vacations paid in full, requirement of not working on these days is not fully practiced at [factory]. There is a collective vacation policy, by which all workers have approximately 10 days off in December. This practice violates local regulations for employees who have more than 1 year of service and whose accumulation of vacation is higher than 10 days.				Employee/employer interviews, review of company policy and payroll review.			1) Factory management to commit to providing vacation days on the basis of seniority. 2) Factory must review how many employees need to take days of vacation according to law and let them take their resting days. 3) Make policy to establish days off (vacations) according to years of service.	12/15/06		This issue is delayed as management and union are in disagreement over vacation policy. Factory management created new vacation policy that will be applied once union and management agree. This policy is according to labor law of Honduras.	Verification: Observation and documentation	Ongoing
Legal Compliance for Holiday/Leave	Art. 95, Section 2: Employee is entitled to full remuneration corresponding to any time for which he has not worked for reason attributable to the employer.		On sporadic occasions 1 or 2 production lines and some employees who cannot be relocated are sent home due to lack of material (threads, cut goods, etc.). Although facility compensates complete week, including hours employees sent home, affected workers required to come in the following Saturday and work missing hours to make up for lost time. Interviewed employees feel this is unfair.				Monitor reviewed payroll records, payments of wages and further interviewed management in relation to this specific issue. Confirmed and acknowledged that workers are required to make up for time lost. The last occurrence took place Monday July 10, 2006.			Factory management to secure overtime premium rate if workers are voluntarily working a Saturday.	12/15/06		Factory compensated their employees based on Honduran labor law.	Verification: Observation	Ongoing



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Legal Compliance for Holiday/Leave	Art 338: An employee must have a day of rest after a 6-day week.		Although monitor does not identify this as a company practice, Sunday was worked in December 2005 prior to holidays in Packing Department. Said employees worked continuously for 7 days prior to holidays.				Interviews and sign sheet review.			Factory must ensure that all employees are able to take their days off according to the law.	12/15/06		This issue is now delayed by union. Union does not want to follow proposal and they are including this topic in their CBA. This is going to take more time.	Verification: Observation	Ongoing
9. Hours of Work															
Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period.															
Overtime Limitations	Art 333 (Overtime): Overtime is regulated under the following conditions: same employee cannot work overtime more than 4 times during the same work week.	Except in extraordinary business circumstances, employees will (i) not be required to work more than lesser of (a) 48 hours per week and 12 hours overtime or (b) limits on regular and overtime hours allowed by law of country of manufacture or, where laws of country will not limit hours of work, regular work week in country plus 12 hours overtime; and (ii) be entitled to at least 1 day off in every 7 day period. An extraordinary business circumstance is temporary period of extra work that could not have been anticipated or alleviated by other reasonable means.	Although overtime is properly tracked, it is not in compliance with the law as it exceeds 4 times per week, the maximum allowed by law. This condition is not a common practice, but occurs randomly throughout the year.				Employee and employer interviews, payroll records review and time ledgers.			The overtime hours have to be tracked in order to not exceed 4 times per week according to the law. Assign someone responsible for policy and procedures implementation. Analyze if it is necessary to make changes to the overtime policy and procedures according to the labor law regulation.	11/24/06		08/23/2007 Description: In order to achieve compliance with the OT hours, the factory opened a different shift in the critical areas such as packing.	Verification: Observation	Completed
10. Overtime Compensation															
In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a premium rate of 150% during dayshift and 175% during night shift.															
OT Compensation	Art. 330: Overtime hours must be remunerated at 125% regular wages if the overtime worked during dayshift schedule, 150% during dayshift schedule when overtime hours extend into night schedule, or 175% for overtime work performed during night	The factory shall comply with applicable law for premium rates for overtime compensation.	Mechanics do not get compensated for overtime work for time worked after the regular shift finishes at 4:40pm (Monday to Friday), unless they work past 5:30pm. Saturday is considered overtime for all hours worked.				Employee (mechanics) interview and management interviews. Payroll review of mechanics.			All the employees should be compensated for overtime according to the law.	11/24/06		08/23/2007 Description: The factory is compensating their mechanics based on Honduran labor law, which means that the mechanics get paid for all overtime worked once their shift ends.	Verification: Observation	Completed
Miscellaneous															



Updates (Cite Date of Follow Up)		Third-Party Verification		Company Verification Follow Up	
Company Follow Up	Documentation	External Verification (Date)	Documentation	Company Follow Up (Cite Date, if Appropriate)	Documentation

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